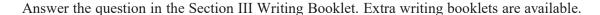
PRELIMINARY EXAMINATION - All Topics - Practice Task I

Business Studies

Section III

20 marks Attempt Question 25 Allow about 35 minutes for this section



Your answer will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
- communicate using relevant business terminology and concepts
- present a sustained, logical and cohesive response in the form of a business report

Question 25 (20 marks)

Barry really enjoys being a carpenter. He has worked in a large business for 10 years and has deep experience and skills in the profession.

He really wants to start his own business specialising in making customised old-style wooden furniture but feels unsure about where to start.

He has sold a few pieces of furniture online through private sales and has received excellent feedback. His business will require a large space and large pieces of technology. Barry is excellent at making furniture, however, has limited experience in the management of a business.

You have been hired to write a business report for Barry.

In your report, you should:

- Outline the role of a breakeven analysis in business planning.
- Discuss TWO marketing strategies Barry could use to build customer awareness.
- Evaluate the importance of finance and accounting for business success

End of paper



Question Number

1.0 Executive Summary
Barry is been to convert his deep experience
as a carpenter into a business. He is uncertain
about the process of building and monaging a
business. His individual furniture pieces are
proving popular, but to scale production into a
viable business will regune a loge financial
commofment to purchase recessery space and
technology. This report will onthe how a
break-ever analysis can be used in business
planing, provide adventages and disadvantages
of promotronal and pricing strategies, and
evaluate as critically importent the role of
Linare and accombing Le Barry's busitess success
2.0 Break-eren Analysis
Break-even analysis is a forecasting tool used
in business planning. It determines the number
of sales required to cover all fixed and
variable costs - Le a busiless to not lose
money, nor make any produt. The tormule is:
Quantity (Q) = Total Fixed Costs / Unit Price - Variable
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This in Lormation would be shored, bly writed for Bary to see it the busitess idea is viable. He would need to research + estimate fixed costs (rest) and variable costs (utilities, materials), and allocate prices to various units. One clear challenge for Borry in using this fool, however, is the non-repeatable, customired preces he produces - which will invariably have different costs. Never the less, a break-even onalysis will provide an estimation of the unber of unto Bary must sell to avoid losing money. It this quantity of sales in not possible (if the market is too small), this in formation will gurde Bary to not commerce the business 5.0 Marketing Strategies Marketing is a set of activities to plan, promote, price and distribute products or services to maximore sales. Barry could deplay promotronal and pricing strategies to position his business and generate customer 3.1 Promotional Strategies Promotron involves co-ordinated activities to

generate customer auvoiress et a product offerng. Barry should intolore advertising to generate customer ansareness and demand. " Howartages: placing paid messages in strategre locatrons where his target market book would drive interest and generate leads and sales. Magazines like House and horden , to example would be ideal for Bary to showcase some of his creations. Strategic placement of social medra post that direct traffic to a website would also be on excellent tool to build an oveness. · Disadvantages: Advertosing is costly and would add to the significant expenses that Barry must pay to establish his busitess. The advert (in a magazne, to example) would need to be profess, and by created and the full page ad would be expersine. Docial medra posts are highly likely to be scrolled past - with very low clock rates and Lollar-through rates. 3.1 Pricing Strategres The exchange value attributed to a good a service helps position and communicate the value of a product or service offering. There

are a rember of methods through which Barry could set his prices - cost-plus, market-based, and conjetotoon-based priches. · Advantages: market-based pring will aller born to set prices that are achianable to his target market. Customers interested Custom turniture are typically not price sensitive, meaning Darry could use premium prichy to his subject. This will lift profit margins per Sale, and will also create a strong serie of quality and status of his firm twe. · Disadvantages: issilg prenim pricing will create a barrier to many consumers even with the target demographe. As Barry's busikess has no reputation, the premium price may result in lower in tral sales, maling the each flow of an establishing bushen very tright This will impact Barry's abolity to pay to other obligations as they tall due. 4.0 Finance and Accounting Finance refers to the type, cost and availability of sources of finds - egurly and debt - to thance a busiless. He country reters to Systematre processes of recording timeral

transactions to monitor and control a busiless' tohereral position and performance Both of these are crotically important determining the success of a busidess. 401 Fihance Onsiness owners must choose an appropriate source of times to establish their busizen, or to thoree growth plans. Different sources of tinance (egurly or debt) hold different teatures and advantages - including cost, access ibility and flexibility. Selecting the right mix of sources is critical in securing the short and long tem stability of a bushess Barry will need large sums of capital to connerse operations. The purchase (or leasing) of a large premises and all the capital equipment (machine technology) regard to produce custom output will regume a huge thorong commotment. How Barry obtains this will be impactful on his business! of Success. For example, debt financing is accessible, but costly and can increase the chances of bisitess tartire, whereas equity is stable, but Barry wended tersahe a percentage of

ownerstyp of his busitess. Furthermore, Barry
must not fall prey to under capital matren when
commencing the business. These financing decrisions
ore contract in determiny business success.
4.2 Accounting
The recording of all Financial transactions
on Cash Flow Statements, Income Statements,
and Balonce Sheeds, is critically important
for busidess owners to be fully aware of the
performance and position of their form. Without
these processes, busitess owners are operating
blindly, making decisions without a foundation
in the actual situation of the busidess. Barry
must lean these processes - or we on
accountant, or accounting software like Xero
to monitor the day to day situation of his
business Without continual monitormy, Barry
would reman manare of the relative success
or farlure (profit or loss?) of the busiless. This
clearly demonstrates the enormous importance
of accompting to business success.
5-0 Recommend afrons
" Barry should complete a break-ever
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and were to determine the winds. Who of the
analysis to determine the vials. Why of the
busitiess, dea * Promotional activity will be costly but
essential for the snecessful establishment
of his busizess. Using premium market.
based pricing with align with his high
grality ontpit.
· Barry moght be best to gan basic
training in France and Accountry - a
employ the services of an expert. While
costly, the importance of these timetrons
is too critical to ignore or get wrong.
If you require more space to answer Question 25, you may ask for an extra writing booklet.
If you have used an extra writing booklet for Question 25, tick here.
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